

# Fiscal Note

*Fiscal Services Division*



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**SF 2326** – Renewable Energy Tax Credits (LSB 5686SV)

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Fiscal Note Version – New

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## **Description**

**Senate File 2326** relates to Iowa's wind energy production tax incentives. The Bill:

- Adds 15 megawatts per year to the 1.5 cent per kilowatt-hour tax credit under [Iowa Code chapter 476C](#) (Renewable Energy Tax Credit), beginning 2015 and ending 2019. This adds a total of 75 megawatts of eligible capacity to the wind 476C tax credit program.
- Adds 5 megawatts per year to the 1.5 cent per kilowatt-hour tax credit for nonwind projects under Iowa Code chapter 476C, beginning 2015 and ending 2019. This adds a total of 25 megawatts of eligible capacity to the nonwind 476C tax credit program.

The Bill is effective July 1, 2012.

## **Assumptions**

Iowa Code chapter 476C Future Wind and Nonwind Projects:

- Sufficient demand will exist in calendar years 2015 through 2019 to fully utilize the 100 megawatts of new production authorized.
- The average capacity factor will equal 38.0% for wind projects and 80.0% for nonwind projects.
- Once earned, tax credits will be redeemed:
  - Initial year = 80.0%
  - Second year = 15.0%
  - Third year = 5.0%

## **Fiscal Impact**

The 100 megawatts of Iowa Code chapter 476C wind and nonwind energy production capacity added starting calendar year 2015 will reduce net General Fund revenue when tax credits earned through those projects are redeemed. The following table provides the projected additional net General Fund revenue reduction associated with those 100 megawatts.

Est. General Fund Revenue Reductions  
Tax Credit Redemptions  
100MW of New 476C Tax Credits  
Available CY 2015 to CY 2019  
\$ in Millions

FY 2017	\$ 0.0	FY 2026	\$ 0.0
FY 2018	1.0	FY 2027	6.4
FY 2019	2.2	FY 2028	5.4
FY 2020	3.5	FY 2029	4.1
FY 2021	4.8	FY 2030	2.9
FY 2022	6.1	FY 2031	1.6
FY 2023	6.3	FY 2032	0.3
FY 2024	6.4	FY 2033	0.1
FY 2025	6.4	FY 2034	0.0

Total Fiscal Impact = \$63.9 million

Tax credits earned under Iowa Code Chapter 476C are not refundable, so to the extent the credits are redeemed through individual income tax returns they will impact the calculation of the Local Option Income Surtax for Schools. The statewide average impact will be approximately 3.0% of the net General Fund impact, but only for those credits redeemed on individual income tax returns.

The Iowa Utilities Board has significant duties related to evaluating and approving projects eligible under Iowa Code chapter 476C. This Bill will expand and extend the workload of the Board staff. The Utilities Board estimates that an additional 0.5 FTE position will be necessary once the new projects begin to apply for the additional credits in CY 2015 and salaries, benefits, and support for the position will total approximately \$45,000 per year.

### **Sources**

Legislative Services Agency Analysis  
Iowa Utilities Board  
Iowa Department of Revenue  
Natural Resources Defense Council

/s/ Holly M. Lyons

April 2, 2012

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The fiscal note for this bill was prepared pursuant to **Joint Rule 17**. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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